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Application No. 09/587,619

Filed: June 5, 2000

TC Art Unit: 3691

Confirmation No.: 8863

REMARKS

Claims 1-21 have been rejected under 35 U.S.C. § 103(a) over Sandretto (US Pat. No. 5,812,988) in view of Rotella (US Pat. No. 4,677,933). Reconsideration of this rejection is respectfully requested.

The presently claimed portfolio accounting and risk management system is for use by, for example, individual self-directed investors to manage the risk of their portfolios. The system uses an actual market price of an investment (readily available from nationally quoted market data) and employs a technical analysis to set stop levels for that investment. The present system does not calculate a valuation of a particular investment by use of fundamental analysis such as in Sandretto. With the present invention, the investor can determine how much of an investment instrument to buy or sell (for example, in terms of dollar or percentage at risk) or when to sell (the stop-loss price), conclusions that are not reached by Sandretto's method. The investor is able to manage the amount of assets placed at risk in any given investment and for the portfolio as a whole. Using this approach, the investor will lose no more than is planned, while at the same time enjoying whatever gains may materialize.

In contrast, Sandretto discloses a fundamental analysis method for valuing an asset using economic variables and data specific to the asset (col. 1, lines 11-15). For example, first, the method estimates an initial set of financial statements and cash flows for each asset using estimated operating, financing, accounting, and economic variables (col. 10, lines 1-7). Additional sets of cash flows are estimated by using a different

-10-

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estimate for at least one of the economic variables (col. 10, lines 8-11). Ultimately, the process results in an asset value and a value of β (a measure of volatility or systematic risk) for each asset (col. 11, lines 51-56).

Thus, Sandretto uses external economic variable inputs along with fundamental data specific to a particular asset for the purpose of valuing that asset, whereas, in the presently claimed invention, an asset's price may simply be taken from readily available quoted market data and a volatility measure such as β is not used to assess risk. Also, after Sandretto arrives at a valuation of an asset(s), Sandretto does not continue on to determine how the purchase or sale of a particular number of shares or contracts of an asset would affect the risk of an individual portfolio or at what price the asset should be sold.

Rotella discloses a mechanical stock price tracking apparatus. A user sets one end of a lever at a preselected stop loss setting for a particular stock. The user adjusts the other end of the lever as the actual stock price changes. If the stock price falls to the stop loss setting, a ball travels along a channel on the lever from one end to the other, thereby alerting the user that the stop loss setting has been reached and the stock should be sold. Note that Rotella does not disclose the storing or use of an amount (a number of shares or contracts) of a stock.

Sandretto relates to a system for valuing an asset. A stop-loss price has no relevance in Sandretto's analysis. Thus, there is no motivation to combine Rotella with Sandretto.

Furthermore, even if Rotella were properly combinable with Sandretto, Applicant's claimed invention would not result. Claim 1 recites storing parameters including a market price, a stop-loss

-11-

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price, and a number of shares or contracts. Neither Sandretto nor Rotella discloses, teaches, or suggests storing a number of shares or contracts.

Claim 1 also recites determining a point risk value, the point risk value comprising an intermediate value multiplied by the number of shares or contracts, the intermediate value comprising the market price minus the stop-loss price for a long transaction or the market price plus the stop-loss price for a short transaction. Neither Sandretto nor Rotella discloses this calculation. Sandretto relates to the valuation of an asset, but not to determining a point risk value that is based on a number of shares of an asset or a stop-loss price. And, while Rotella discloses setting a stop-loss price, Rotella provides no further processing based on this setting. Rather, it is up to the user to contact a broker to sell the associated stock (col. 5, lines 11-12).

Claim 1 further recites determining a number of shares or contracts associated with the point risk value for a selected size risk value, the number determined by multiplying the selected size risk value by the equity value and dividing by the point risk value. Neither Sandretto nor Rotella discloses, teaches, or suggests determining a number of shares or contracts of an investment. Thus, neither reference discloses, teaches, or suggests this step as well.

Additionally, claim 1 recites displaying a plurality of risk scenarios corresponding to the plurality of selected size risk values, the displaying step including displaying the number of shares or contracts corresponding to each of the plurality of size risk values. As neither Sandretto nor Rotella discloses, teaches,

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or suggests determining a number of shares or contracts associated with the point risk value for a selected size risk value, neither reference discloses, teaches, or suggests displaying a plurality of risk scenarios corresponding to a plurality of selected size risk values.

Accordingly, independent claim 1 and the claims dependent therefrom are believed to be patentable over Sandretto in view of Rotella. Independent claims 10 and 19-21 and the claims dependent from claim 10 are believed to be patentable over Sandretto in view of Rotella for the same reasons.

In view of the above remarks, all claims are believed to be in condition for allowance, and reconsideration and indication of allowance are respectfully requested. The Examiner is encouraged to telephone the undersigned attorney to discuss any matter that would expedite allowance of the present application.

Respectfully submitted,

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-13-

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